

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 1612 – HB 1562**

February 13, 2018

**SUMMARY OF ORIGINAL BILL:** Establishes, for purposes of determining compliance with the Copeland Cap, that funds allocated to the Rainy Day Fund (RDF), or funds expended from the RDF to offset shortfalls in state tax revenue will not be included as appropriations from state tax revenues, and that funds expended from the RDF to meet expenditure requirements in excess of budgeted appropriation levels, and funds directly appropriated from the RDF in the general appropriations act, will be included as appropriations from state tax revenues.

**FISCAL IMPACT OF ORIGINAL BILL:**

Other Fiscal Impact – Passage of this legislation will impact how frequently the General Assembly will be required to enact legislation to authorize the rate of growth of appropriations from state tax revenue to exceed the estimated rate of growth of the state's economy. Any impact on the amount of funding that will be allocated to or expended from the Rainy Day Fund or appropriated from state tax revenue in future years is estimated to be not significant.

**SUMMARY OF AMENDMENT (012802):** Deletes language from the original bill such that the bill as amended establishes, for purposes of determining compliance with the Copeland Cap, that funds allocated to the Rainy Day Fund (RDF), and funds expended from the RDF to offset shortfalls in state tax revenue, will not be included as appropriations from state tax revenues.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**NOT SIGNIFICANT**

Assumptions for the bill as amended:

- Article II, Section 24 of the Tennessee Constitution, commonly known as the Copeland Cap, establishes that in no year shall the rate of growth of appropriations from state tax revenues exceed the estimated rate of growth of the state's economy. Further, no appropriation in excess of this limitation shall be made unless the General Assembly sets

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forth, by law containing no other subject matter, the dollar amount and the rate by which the limit will be exceeded.

- Pursuant to Tenn. Code Ann. § 9-4-5201, the estimated rate of growth of the state's economy is based upon the projected change in Tennessee personal income.
- In recent years, the General Assembly authorized appropriations from state tax revenues to exceed the estimated growth of the state's economy as follows:
  - By \$250,000,000, or 2.01 percent, for FY11-12;
  - By \$132,500,000, or 1.00 percent, for FY12-13; and
  - By \$438,000,000, or 2.85 percent, for FY16-17.
- Simple majority in both houses of the General Assembly is required to enact such legislation. In recent years, no efforts to enact legislation authorizing appropriations to exceed the estimated growth of the state's economy have failed.
- Establishing that funds allocated to the RDF and funds expended from the RDF to offset shortfalls in state tax revenue will not be included as appropriations from state tax revenues is consistent with current practice. Therefore, the proposed legislation will not result in a significant fiscal impact to the state or local government.

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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